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A Look at Fresh Bakery

The demand for fresh bakery items is going like gangbusters, as c-store customers continue to give in to their cravings.

BY PAMELA MILLS-SENN



Premium or specialty items, like decorated donuts, can create a destination for baked goods.

People can talk all they want about eating healthy, but fresh bakery items reveal their *true* inclinations. Sure, folks are grabbing fruits, salads and other good-for-you items from c-store refrigerators and shelves, but that's not all they're exiting with. A fair number, and in fact *growing* numbers, are taking fresh cookies, donuts and pastries along for the ride, as well.

Heather Campbell, vice president—Food Service for S. Abraham & Sons, Inc. in Grand Rapids, MI, said she had at one time expected sales of fresh bakery items to downturn, given the health and wellness trend, but that hasn't happened. Instead, demand has climbed.

"I managed several convenience stores, and when I added more bakery-like items, the category grew by 40% to 200%, depending on the location," she recalled. "This told me that even though people say they want healthy, they still crave things like muffins, donuts, cinnamon rolls, sweet breads and cookies.

"[In fact], one of our chain customers recently opened their own bakery commissary to support their 120-plus stores," Campbell continued. "That's a big investment, and it speaks to the demand for fresh in store-baked goods."

Figures provided by C-Metrics, Pittsburgh-based MSA's convenience channel projected data service for warehouse-delivered products, back this up. Consider last year; the bakery and breads foodservice categories achieved



David's Cookies offers private label or branded frozen baked goods.

combined market dollar sales of \$370.4 million between Feb. 17, 2019 to Feb. 15, 2020, a jump of over 13%, compared to the previous year. This escalation wasn't solely due to price increases, since combined market unit activity rose by over 9% during that same timeframe.

Looking at these two categories individually, it is apparent bakery was driving the action. Last year's market dollar sales for bakery rocketed up over 17%, bringing in \$245.3 million compared to those of breads, which earned \$125.1 million—an increase of about 7%. Market unit activity rose over 11% and 6% respectively.

Bakery Advantages

Clearly, the fresh bakery category has momentum, boding well for c-store operators, who stand to realize numerous benefits by paying attention to these items. For example, there's the competitive advantage, said Campbell.

"In-store bakery programs are a differentiator," she explained. "If you have five stores to choose from and four have similar offerings but the fifth bakes something in the store, which one are you likely to remember and go back to?"

Bakery-style items also enable c-stores to create a more one-stop-shopping experience, said Theo Porter, category manager, Foodservice, for Harbor Wholesale Foods in Lacey, WA. Selling coffee is one thing, he said. But when a c-store can offer both coffee *and* pastry, the customer doesn't have to go elsewhere.

"The added benefit to the c-store is that they're not missing out on a potential sale, and they're increasing

each morning's ring by \$1.99 to \$3.99 depending on the item," Porter said.

Tom Michalewski, customer marketing manager, Convenience, Foodservice Division, for Buffalo, NY-based Rich Products, a provider of in-store bakery products including cookies, donuts, cinnamon rolls, brownies and scones, said driving traffic and incremental sales are among the biggest pluses of an in-store bakery program. Plus, there's a lot of merchandising and promotional flexibility retailers can deploy to generate sales, such as limited time offers (LTOs) featuring premium or specialty products like decorated donuts, cookies and other items. Or, they can offer seasonal promotions.



Retailers can offer fresh-baked items at multiple times throughout the day.

"These may include donuts decorated with colorful icing, whipped toppings, cereal or candy or other toppings," said Michalewski. "These may entice a customer who doesn't typically buy a bakery item to make a purchase. They also drive traffic for other items included in the retailer's bakery program."

Additionally, bakery programs provide c-stores with the opportunity to attract customers long after the morning hours, said Darcy Martin, strategic accounts manager for David's Cookies. Located in Cedar Grove, NJ, the company offers private label or branded frozen cookie dough, muffins, cinnamon rolls and crumb cake as well as individual pies and cakes.

"In-store bakery goods are becoming very important because c-stores can now provide fresh-baked offerings at multiple times throughout the day, giving their customers a warm-bakery experience," she said. "Plus, customers are gravitating more towards foodservice-driven items, where quality tends to be higher than what one finds with pre-packaged goods."

Trend-Driven Demand

Cayci Johnson, director of business development for ARYZTA North America, agreed consumers are increasingly expecting to have a fresh experience anytime and anywhere, and convenience stores are no exception. Headquartered in Chicago, the company focuses its efforts on Otis Spunkmeyer frozen cookie dough and the Mette Munk freezer-to-oven Danishes.



In fact, the consumer desire for a fresher experience has contributed to small declines in the packaged bakery category, said Bridget Halpain, category manager, Foodservice/Supplies, at Temple, TX-based McLane.

“This could be attributed to more locations having open-air coolers offering healthier options as you walk in, but it could also be attributed to more retailers bringing in small ovens to offer the fresh, warm bakery items straight out of the oven,” she said. “Even with a healthier consumer, there will always be a demand for a muffin or cake slice.”

Although demand for their individually-wrapped bakery items remains strong, more c-stores are finishing items onsite, since these are perceived as being fresher, said Sharon Kuncel, Eby-Brown vice president Foodservice, in Naperville, IL. This is especially so for stores with a foodservice component. Finished-on-site items also offer higher profitability and margins than individually-wrapped bakery items, she added.

Like Martin, Kuncel has also noticed a trend towards c-stores expanding the use of their bakery cases rather than confining displays to what is typically thought of as breakfast items.

“Stores are changing their offerings throughout the day, for example showcasing cookies or other types of baked snacks during the afternoon hours,” she explained. “We’re also seeing bakery cases move beyond just displaying donuts in the morning to incorporating more upscale,

bistro-type items like turnovers, which appeal to a different demographic and make the cases even more profitable.”

But don’t underestimate the power of donuts. One trend Porter has noticed is the increased customer demand for breakfast-on-the-go items, with donuts still playing a starring role.

Challenges & Solutions

Still, despite the benefits, there are challenges that come with offering a fresh bakery program that can give some c-store operators pause. When items are delivered frozen or refrigerated, shelf life isn’t necessarily a concern—although it can be—but real estate often is. One solution Campbell mentioned is for manufacturers to provide smaller pack sizes. Doing so would make storage and inventory management easier and could also facilitate product turns.

“If an item comes 72 to a case, an operator may be hesitant to stock that item because it will take up space and limit what else they can offer,” Campbell explained. “One case of 72, or three cases of 24, or six cases of 12—who wants only one donut to choose from or one cookie? Variety packs of product lines would also help solve that problem.”

A strategy Eby-Brown is deploying to address both issues is through the “best assortment” program, said Kuncel. She explained this provides a day’s assortment of product delivered frozen and contained in one box, which is opened daily and is intended to fill the bakery case for just that day. The assortment is based on what typically sells best in the c-stores they service (those east of the Mississippi). The objective is to reduce the amount of thinking c-store operators must do when devising an assortment and to also minimize the impact on freezer space.

Order size also presents challenges for distributors, said Halpain. As she explained, many c-store operators will confine trials of new bakery items to a small area of the store. This causes shipping issues for suppliers, since distributors can’t meet a minimum-pallet shipment.



Left: The convenience channel is expanding bakery cases to include items for all day parts.



“One of the best ways a manufacturer could address this challenge would be to understand it takes time to test items prior to national launches,” she said. “If they could reduce minimums for a time period to help the program get off the ground, it would improve the likelihood of having a successful program.”

Aligned with the above is the concern over product waste, said Porter. When retailers must toss out food, they imagine their profit margins going along with it, he explained. Consequently, a significant part of their foodservice effort involves retraining their customers to adopt a different perspective; that as long as they’re hitting their margin dollar targets by selling a specific number, they can be assured they’re making money, even if they have to throw away some pastry at the end of the day.

Still, stores that have the greatest success are those that have implemented a sales tracking program to determine the SKUs with the highest sales, since this enables them to more closely tailor their assortments, said Michalewski. Without the ability to track, the store could either run out of its most popular offerings too early in the day, resulting in a half-empty case—which also discourages sales since the products don’t appear as fresh or desirable, he added—or the store could stock too many unpopular items resulting in needless waste.

“A good tip is to track your spoils at the end of the day,” he suggested. “When you compare this to your stocked bakery case from the morning, you’ll be able to calculate how many of each was sold.”

Merchandising strategies are key to ensuring success, Michalewski continued. He mentioned adding customized finishes to personalize the pastries; letting customers know the store offers fresh-baked goods via “made fresh daily” signage and the like, or in the case of thaw-and-serve products, signage touting their quality ingredients; promoting the program store-wide with signage, window clings, etc.; and creating LTOs or other specials, advertising them through the store’s mobile app or loyalty program.

Programs & Products

David’s Cookies: Coming soon are a prepackaged cake slice program, edible cookie dough cups and pies. David’s also provides countertop racks, acrylic display cases, cooler door displays, baskets, branded stickers and other merchandising options.

Eby-Brown: Several bakery programs are available from individually-wrapped, frozen items that are thawed, to those delivered frozen and warmed, to frozen “blanks,” like plain donuts that can be finished in-store.

Harbor Wholesale: New to the company is a thaw-and-serve line from Prairie City Bakery offering everything from maple bars to cream-filled Bismarcks and muffins. These pastries come in trays of six and can be quickly defrosted. Harbor also offers a selection of Rich’s products.

McLane: Offers two programs to convenience retailers. Some are using small ovens and baking cookies in-house, displaying them in cases at the register; others are displaying thaw-and-serve pastries in large pastry cases or merchandising these in other forms near the coffee area.

Rich Products: Launching later this year are Ready-to-Finish Filled Dessert Donuts. The platform will include four on-trend flavors: Banana Cream Pie, Fudge Brownie, Neapolitan and Apple Pie. These will be available with toppings or without, the latter affording a more customizable solution.

S. Abraham & Sons: The proprietary Fruitridge Farms program involves partnering with a local restaurant providing fresh-baked pastries, which S. Abraham then retails in packs to c-stores. The company has established a new baked-in-store program with David’s Cookies. The frozen cookie dough flavors include M&M, Chocolate Chip, Oatmeal Raisin and Reese’s Peanut Butter Cup. The company also offers the Prairie City thaw-and-serve bulk pastry program and has recently expanded these offerings.

Also important is effective training, product samplings and keeping abreast of trend data, said Darcy. “If employees are trained properly, if stores have the right offerings for their areas, and have the opportunity to get their bakery products into the mouths of customers, excitement builds the path for success.” **CD**